

CONDITIONAL SALE AGREEMENT dated as of July 30, 1971,
between GENERAL MOTORS CORPORATION (ELECTRO-MOTIVE DIVISION),
a Delaware corporation having its principal place of business
at McCook (Post Office address, LaGrange), Illinois, (herein-
after sometimes referred to as "Manufacturer" or "Seller" as
more particularly set forth in Section 22 hereof) and JOHN F. NASH
and ROBERT C. HALDEMAN, Trustees of the property of LEHIGH
VALLEY RAILROAD COMPANY, a Pennsylvania corporation, having
their principal place of business in the City of Bethlehem,
Commonwealth of Pennsylvania (the said Trustees being hereinafter
called the "Buyer"),

6430

W I T N E S S E T H : RECORDATION NO. _____ Filed & Recorded

DEC 16 1971 - 9 00 AM

The parties mutually agree:

INTERSTATE COMMERCE COMMISSION

1. Equipment to be Sold. Manufacturer agrees to sell,
and Buyer agrees to purchase,

Four (4) 2000 h.p. GP 38 AC Diesel Electric
Locomotives (hereinafter called the "Locomotives"
or, singularly, a "Locomotive"), built by
Manufacturer in accordance with General Motors
Locomotive Specification 8081 dated January 1,
1971 and Specification Amendment 8081-3 dated
January 1, 1971, as modified in accordance with
Buyer's requests and agreed to by Manufacturer
prior to the date hereof (hereinafter called the
"Specification"), and bearing Buyer's Road Numbers
310 to 313 inclusive.

The Specification is incorporated in this Agreement by
reference and made a part hereof.

2. Acceptance and Delivery. Manufacturer, as soon as
possible but not later than December 20, 1971 will deliver the
Locomotives to Buyer, freight charges collect, on the Buyer's lines

at Sayre, Pennsylvania or at such other point within or without the Commonwealth of Pennsylvania as the Buyer may specify.

Manufacturer's obligation as to time of delivery is subject, however, to delays resulting from causes beyond Manufacturer's reasonable control, including but not limited to acts of God, acts of government such as embargoes, priorities and allocations, war or war conditions, riot or civil commotion, sabotage, strikes, differences with workmen, accidents, fire, flood, explosion, damage to plant, equipment or facilities or delays in receiving necessary materials.

The Locomotives during construction shall be subject to inspection by an inspector or other authorized representative of the Buyer and the Buyer may keep one or more inspectors or representatives at the plant of the Manufacturer during the construction of the Locomotives to inspect the same.

Buyer will inspect each Locomotive upon its completion (when notified by Manufacturer) and if such Locomotive conforms to the Specification will issue promptly to Manufacturer a Certificate of Inspection, in four copies, in the form of Exhibit A attached hereto. Upon receipt of the Locomotive at Sayre, Pennsylvania, or at such other point, within or without the Commonwealth of Pennsylvania, as the Buyer may have specified for delivery of the Locomotive, Buyer will inspect the Locomotive and if it finds that it meets with the Specification will execute and deliver, in four copies, a Certificate of Acceptance, in form

of Exhibit B attached hereto, Each Certificate of Acceptance, when issued, will be deemed conclusive evidence of Vendee's acceptance of the Locomotive described therein.

3. Purchase Price and Payments. The purchase price of each Locomotive (hereinafter called the "Unit Price") is Two hundred twenty-seven thousand two hundred sixty-two Dollars (\$227,262) f.o.b. Manufacturer's plant, McCook, Illinois. The aggregate price of the four Locomotives (hereinafter called the "Total Purchase Price") is Nine hundred nine thousand, and forty-eight Dollars (\$909,048) f.o.b. as aforesaid. Buyer agrees to pay the Total Purchase Price to Seller at 425 Brighton Street, Bethlehem, Pennsylvania, or at such bank or trust company as Seller may designate, in lawful currency of the United States of America as follows:

(i) Two hundred thirty-four thousand and forty-eight Dollars (\$234,048) will be paid on the Closing Date (as defined below) and applied pro rata in part payment of the Unit Price of each Locomotive; provided that Manufacturer has agreed to grant Buyer a trade-in allowance of Eighty thousand Dollars (\$80,000) for four obsolete used locomotives of the type EMD F7-A&B units, and if Buyer has delivered such equipment to Manufacturer at or prior to the Closing Date, such trade-in allowance will be credited as part payment of the Total Contract Price payable under this subparagraph (i), the balance of One hundred fifty-four thousand and forty-eight Dollars (\$154,048) to be paid in cash;

(ii) Six hundred seventy-five Thousand Dollars (\$675,000) will be paid in forty (40) consecutive quarter-annual instalments of principal plus accrued interest on the unpaid balance of principal at the rate of eight and one half per cent ($8\frac{1}{2}\%$) per annum on the basis of a 360 day year counted from the Closing Date. The due date (hereinafter called the "Payment Date") and principal amount of each instalment are set forth in Exhibit C attached hereto. Each instalment will be applied pro rata in part payment of the Unit Price for each locomotive.

Buyer will have the right to prepay on any Payment Date the full principal amount of any unpaid instalment. All amounts so prepaid will be credited in payment of the unpaid instalments in inverse order of their maturity.

As used in this Agreement, the term "Closing Date" means December 21, 1971, provided that if the delivery of the Locomotives is delayed due to causes beyond the control of the Manufacturer as hereinabove provided, and the Manufacturer promptly notifies the Buyer thereof in writing, the Closing Date will be postponed for a period of time equal to the period of the delay.

4. Taxes. Buyer agrees that during the continuance of this Agreement in addition to all other payments herein provided, it will promptly pay or cause to be paid all Federal, state or local taxes, assessments, charges, fines, penalties or license fees (hereinafter collectively called "taxes"), hereinafter levied or imposed upon, or measured by this Agreement or any assignment hereof, or participation or interest in any assignment hereof, or any sale, use, payment, shipment, delivery or transfer of title of the Locomotives under the terms hereof, or upon the Locomotives (other than income, gross receipts (except gross receipts taxes in the nature of and in lieu of sales taxes) or excess profits taxes imposed upon Seller with respect to the amounts received by it under this Agreement), or upon the interest of Buyer therein, or upon Seller solely by reason of its ownership of the Locomotives and will keep at all times each Locomotive free and clear of all taxes which might in any way affect the title of Seller or result in a lien upon any Locomotive; and if any tax shall have been levied against Seller directly and paid by Seller, Buyer shall reimburse Seller upon presentation of an invoice therefor; provided, however, that Buyer shall be under no obligation to pay any taxes of any kind as long as it is contesting in good faith and by appropriate legal proceedings such taxes, and the non-payment thereof does not, in the opinion of Seller, adversely affect the property or rights of Seller hereunder. In the event any tax reports are required to be made on the basis of individual Locomotives, Buyer will either

make such reports in such manner as to show the ownership of such Locomotives by Seller or will notify Seller of such requirements and will make such reports in such manner as shall be satisfactory to Seller.

5. Retention of Title. Notwithstanding the prior delivery of the Locomotives to Buyer, Seller will retain full legal title to and property in each Locomotive until Buyer pays to Seller the full amount of the Total Purchase Price plus all interest accrued thereon plus all other amounts due to Seller under this Agreement. Upon payment of all such amounts, and provided Buyer has performed all of its other covenants hereunder, full legal title to and property in the Locomotives will vest in Buyer without further acts of the parties; provided that, if so requested by Buyer, Seller will deliver to Buyer a bill of sale or other appropriate instrument evidencing the transfer to Buyer of the title thereto and property therein free and clear of the lien retained hereby.

So long as the title to and property in the Locomotives are retained by Seller, Buyer will cause each Locomotive (and each replacement unit substituted for any Locomotive pursuant to Section 6 hereof) to remain numbered with its respective Road Number as designated in Section 1 and will keep and maintain plainly, distinctly, conspicuously and permanently painted on each side of each Locomotive in letters not less than one (1) inch high, the corporate name

of Manufacturer or Manufacturer's assignee (as the case may be) followed by the word "Owner". Except as provided in this paragraph, Buyer will not permit any name or other insignia to be placed on any Locomotive which could reasonably be construed as a claim of ownership by any person other than Seller or its assignee; provided that Buyer may place on any Locomotive its name or other insignia customarily placed by it on similar type equipment.

6. Risk of Loss; Insurance and Replacement. Risk of loss of each Locomotive will pass to Buyer on delivery. Buyer at its own expense will keep each Locomotive insured at all times while title thereto and the property therein are retained by Seller under a valid and enforceable policy issued by an insurer of recognized responsibility with loss payable to Seller and Buyer as their interests may appear, against loss or damage by fire, lightning, flood, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, collision or derailment in an amount not less than the unpaid balance of the Total Purchase Price. Such policy may contain a loss deductible clause in an amount such as is usually carried by owners of similar type equipment. Such policy shall provide for ten (10) days' prior written notice to Seller of the cancellation of such policy for any reason. If Buyer fails to maintain any insurance required by this paragraph, Seller at its election may obtain such

insurance and in such event Buyer will reimburse Seller for the amount of all premiums paid by it therefor, together with interest thereon at the rate of six per cent (6%) per annum computed from the date of payment.

In the event of loss of or damage to any Locomotive by any cause whatsoever while title thereto and the property therein are retained by Seller, Buyer will notify Seller immediately of such loss or damage and at Buyer's election will either pay promptly to Seller the unpaid balance of the Unit Price for such Locomotive, together with interest accrued to the date of payment, or replace such Locomotive (or all the destroyed or damaged components thereof, as the case may be) at Buyer's sole cost with a locomotive (or component) of equivalent type and value. Each such replacement locomotive will constitute specific after acquired property and will be deemed a "Locomotive" for all purposes under this Agreement, and each such replacement component will be deemed a part of the Locomotive to which applied by accession. Title to and property in all such replacement locomotives and components will vest and remain in Seller or its assignee at the date of acquisition thereof by Buyer free and clear of all liens and encumbrances.

All insurance proceeds payable under a policy maintained in compliance with the Section 6 and all damages or other amounts

recovered from any person on account of the loss of or damage to any Locomotive shall be paid to Seller and applied by it either in payment of the unpaid balance of the Unit Price of the Locomotive for which such proceeds are payable, in which event Seller shall have no further interest in the Locomotive, or in payment for the replacement or repair of such Locomotive, in accordance with the preceding paragraph. The excess portion of such proceeds, if any, will be paid over by Seller to Buyer upon the furnishing by Buyer to Seller of satisfactory proof of such replacement or repair; provided that, Seller may apply such excess portion to payment of any amounts owed to Seller by Buyer under this Agreement which are unpaid and past due at such date.

7. Maintenance and Repair. Buyer will maintain the Locomotives in good order and repair at all times while title thereto and the property therein are retained by Seller, and in connection therewith will adhere to Manufacturer's recommendations on spare parts and any other matters reasonably necessary to the proper maintenance and operation of the Locomotives.

8. Manufacturer's Warranty. Manufacturer warrants to Buyer that the Locomotives are of the kind and quality described in the Specification and are suitable for the ordinary purposes for which such equipment is used.

Manufacturer further warrants the Locomotives to be free from defects in material and workmanship which may develop under normal use and service within two years from date of

delivery or before the respective Locomotives shall have been operated 250,000 miles, whichever event shall first occur. Manufacturer agrees to correct such defects, which examination shall disclose to Manufacturer's satisfaction to be defective, by repair or replacement f.o.b. factory, and such correction shall constitute fulfillment of Manufacturer's obligation with respect to such defect under this warranty.

Manufacturer warrants specialties not of its own specification or design to the same extent that the suppliers of such specialties warrant such items to Manufacturer.

There are no warranties, express or implied, made by Manufacturer except the warranties set out above.

Manufacturer covenants and agrees to hold Buyer harmless from any liability or expense arising out of any injury to, or death of, any officer or employee of Manufacturer arising out of the inspection or repair on the premises of Buyer of any Locomotive, except if due to the sole active negligence of Buyer.

9. Compliance with Applicable Laws. While title to and property in the Locomotives are retained by Seller, Buyer will comply at all times with all Federal and State laws and with all regulations or rules issued by any agency which are applicable to the possession or operation of the Locomotives. If any such laws, regulations or rules require modifications in the Locomotives, Buyer will effect such modifications at its own expense. The undertaking of Buyer stated in this Section 9 shall not

restrict Buyer from contesting, in good faith and through appropriate legal or administrative proceedings initiated by Buyer, the validity or applicability of any such law, regulation or rule; provided that such proceedings shall not impair Seller's title to and property in the Locomotives.

10. Reports. While title to and the property in the Locomotives is retained by Seller, Buyer will furnish to Seller at Seller's written request, but not more than once each year, a report prepared and signed by Buyer showing the description and Road Numbers of the Locomotives in actual service and certifying that each thereof is in good order and repair.

11. Use and Location. Buyer, so long as it is not in default under this Agreement, will be entitled to the possession and use of the Locomotives; provided that Buyer will operate the Locomotives solely on lines owned or leased by it (whether solely or jointly) or by any other company a part of the capital stock of which is owned by Buyer or on lines over which Buyer or such other company has trackage or other operating rights.

12. Prohibition against Liens. Buyer will pay, perform and discharge all obligations claimed against it by any person which if unpaid or unperformed might become a lien or a charge upon any Locomotive equal or superior to the title thereto and property therein of Seller; provided that the undertaking of Buyer set forth in this Section 12 shall not prohibit Buyer from contesting any such obligation in good faith through appropriate legal or administrative proceedings initiated by Buyer

13. Buyer's Indemnity. Buyer agrees, after delivery and acceptance of each Locomotive, to indemnify and save harmless the Seller from all damages, including the cost of defending all claims therefor, arising out of or incurred in connection with the use of such Locomotive, and regardless of whether such claim is based upon Seller's alleged liability therefor as manufacturer or owner of such Locomotive or otherwise; provided that this indemnity shall not release Manufacturer from its guarantee of such Locomotive as set forth in Section 8.

14. Patent Indemnities. Manufacturer hereby indemnifies and agrees to hold Buyer harmless from all damages and penalties, including the cost of defending all claims therefor, awarded against Buyer pursuant to a judgment holding that the use of the Locomotives or of any component thereof (other than components specified or furnished by Buyer and not included in Manufacturer's standard new locomotive specification) furnished under this Agreement infringes any United States patent. Buyer hereby indemnifies and agrees to hold Seller harmless from all damages, including the cost of defending all claims therefor, awarded against Seller pursuant to a judgment holding that the application to any Locomotive by Seller of any component specified or furnished by Buyer and not included in Manufacturer's standard new locomotive specification infringes any United States patent.

Each Party will give prompt notice to the other of the receipt of any claim, or the commencement against it of any action based on any claim, for which such other Party may be liable as provided

above and thereafter will give such other Party full authority and such information and other cooperation as it may reasonably request in order to defend such claim or action.

15. Manufacturer's Right of Assignment. Manufacturer may assign and reassign at any time and from time to time this Agreement or all or any part of its rights hereunder, including but not limited to the right to receive payment of the Total Purchase Price and any other amounts due to it hereunder; provided that no such assignment will render any assignee liable for Manufacturer's obligations set forth in Sections 2, 8, and 14, and Manufacturer will remain liable to perform all of such obligations. Upon any assignment, Seller or its assignee will give written notice to Buyer of the assignment, stating the name and address of the assignee and enclosing a copy of the instrument of assignment. Thereafter, Buyer will make all payments owed by it hereunder in accordance with the terms of the assignment and will change the ownership markings to be painted on the sides of the Locomotives as required by Section 5 in order to show the title of the assignee to and its property in the Locomotives.

Buyer represents and covenants that if Seller's right to receive payment of the unpaid balance of the Total Purchase Price is assigned to any person in accordance with the preceding paragraph, such right together with the right to receive interest accrued thereon will not be subject to any claim of Buyer, whether asserted by way of defense, counterclaim or otherwise, arising

out of the alleged breach by Manufacturer of any of its obligations hereunder or out of the alleged default by Manufacturer in the payment or discharge of any other obligation owed by it to Buyer; provided that Buyer's right to assert any such claim directly against Manufacturer will not be affected by the provisions of this paragraph.

16. Buyer's Right of Assignment. Buyer may not assign or otherwise transfer this Agreement or any of its rights or obligations hereunder, nor may it transfer possession or use of any Locomotive so long as title thereto and the property therein are retained by Seller, to any person without the prior written consent of Seller. Any such assignment or transfer consented to by Seller shall bind the assignee to perform all of Buyer's obligations hereunder as fully as if such assignee were a party to this Agreement.

17. Default.

(a) Events of default. Each of the following will constitute an Event of Default:

(i) Failure by the Buyer to pay when due all or any part of the Total Purchase Price or any interest accrued thereon;

(ii) Attempt by the Buyer to assign this Agreement or any of its rights or obligations hereunder or to transfer possession or use of any Locomotive in violation of Section 16; or

(iii) Any act or omission by the Buyer in violation of any provision of this Agreement and continuation of such act or omission for thirty (30) days after Seller requests compliance therewith.

(b) Acceleration of Total Purchase Price. Upon the occurrence of an Event of Default, Seller, at its option and subject solely to compliance with any applicable requirements of law, may declare the entire unpaid balance of the Total Purchase Price together with accrued interest to be immediately due and payable without further demand therefor and may recover judgment for the full amount so due plus interest thereon (to the extent permitted by law) at the rate of six per cent (6%) per annum counted from the date of such declaration.

(c) Waiver of Events of Default. At any time after the occurrence of an Event of Default and prior to thirty (30) days after the retaking of possession of any Locomotives as provided in paragraph (d) below, Buyer may cure such Event of Default and Seller thereupon will waive its remedies under said paragraph (d) and will rescind any notice of default and all other declarations or notices of election theretofore given to Buyer in respect thereof. Thereafter, the respective rights of the Parties under this Agreement will be restored as if such Event of Default had not occurred.

Notwithstanding the foregoing provision, Buyer will not be entitled to the benefit thereof until in addition to curing

the Event of Default, Buyer pays to Seller all costs and expenses incurred by Seller on account of such Event of Default or incidental to the enforcement by it of any of its rights under this Section 17.

Buyer expressly agrees that time is of the essence of this Agreement, and no waiver of rights as provided in this paragraph (c) shall limit or otherwise affect Seller's rights as set forth herein with respect to any event of default other than the one so cured.

(d) Seller's Remedies. Upon the occurrence of an Event of Default, Seller at its option and in addition to its right under paragraph (b) above may retake possession of the Locomotives or any of them (including any replacement locomotives) and of all attachments or accessories thereto, and in such case may enter upon Buyer's premises where the Locomotives may be found and by use of Buyer's tracks and other available facilities and at Buyer's expense may remove the Locomotives from Buyer's possession and use; and Buyer will, if requested by Seller, deliver the Locomotives at such point on its lines as Seller may request or permit Seller to store the Locomotives so retaken on Seller's premises without charge therefor until such time as Seller desires to remove them. After retaking possession of any Locomotives, Seller at its election may

(i) sell such Locomotives, or any of them, free of any claim whatsoever of Buyer, or of any person claiming by or through Buyer whether at law or in equity, at private or public sale, upon notice to Buyer and all Trustees under the various Mortgages, Indentures and Deeds of Trust of Buyer, subject to compliance with any mandatory requirements of law then in force; and the proceeds of such sale, less the attorneys' fees and all other expenses incurred by Seller in taking possession of, removing, storing and selling such Locomotives, will be applied in payment of all amounts then due to Seller.

To the extent permitted by law, any sale pursuant to this subparagraph (i), may be held at such place and time, without regard to whether such Locomotives are physically present, and the Locomotives to be sold may be sold as an entirety or in several lots, all as Seller may deem desirable; provided that Seller will give Buyer and all Trustees under the various Mortgages, Indentures and Deeds of Trust of Buyer not less than ten (10) days notice by telegraph or registered mail of the place and time of any sale and of the number of Locomotives to be offered for sale thereat. Any private sale shall be subject to Buyer's right and the right of any of the Trustees under the various Mortgages, Indentures and Deeds of Trust of Buyer to purchase the Locomotives to be sold (or arrange for a purchaser thereof) at the same price as that to be paid by Seller's purchaser within ten (10) days after delivery of the notice of sale. Seller or Buyer or any of the Trustees under the various Mortgages, Indentures and Deeds of Trust of Buyer will have the right to

bid for and purchase any Locomotives sold at public sale and if Seller shall be the purchaser thereof, it shall not be accountable to Buyer (except for any surplus as provided hereinbelow in this paragraph (d)).

If, after applying the proceeds of any sale in accordance with the provisions of this subparagraph (i), Seller has on hand any surplus it will pay over such surplus to Buyer but if after applying such proceeds there remains due to Seller under the provisions of this Section 17 any amount whatsoever, Buyer will pay such amount to Seller on demand. If Buyer fails to pay the full amount of such deficiency, Seller will have the right to recover a judgment therefor against Buyer. Buyer also will reimburse Seller for all attorneys' fees and other expenses incurred by Seller in enforcing such right and such fees and expenses will be included in any judgment.

(ii) in the event Seller has been unable to sell such Locomotives, or any of them, at private or public sale for an amount which will repay Seller all amounts due to Seller under the provisions of this Section 17, Seller may, if no Purchaser has been provided by Buyer or any of the Trustees under the various Mortgages, Indentures and Deeds of Trust of Buyer within the 30 day period described below, then elect to retain such Locomotives as its own property and make such disposition thereof as it deems fit, in which case all of Buyer's rights in such Locomotives will terminate and all payments theretofore made by Buyer on account of the Unit Price of such Locomotives may be retained by Seller as rent for the use of such Locomotives.

Seller will notify Buyer and all Trustees under the various Mortgages, Indentures and Deeds of Trust of Buyer by telegram or registered mail at least thirty (30) days before it retains such Locomotives as its own property of its inability to sell such Locomotives, or any of them, and Buyer and any of the Trustees under the various Mortgages, Indentures and Deeds of Trust of Buyer shall have an opportunity to obtain a purchaser or purchasers for such Locomotives, or any of them, within the thirty day period for the amounts due Seller on such Locomotives as provided in this Section 17 or such other price or terms as may be agreeable to Seller.

The remedies provided to Seller under this Section 17 are in addition to (and not in lieu of) all remedies provided by law. All such remedies are cumulative and may be exercised by Seller at its discretion. The exercise of one or more of such remedies will not be deemed a waiver of any other remedy. No extension of time for payment of any amount due to Seller shall impair any such remedy or be construed as a waiver of any event of default or an acquiescence therein.

18. Recording. Buyer will file and record this Agreement (and any supplements thereto) and Manufacturer's first assignment thereof with the Interstate Commerce Commission in accordance with the requirements of Section 20c of the Interstate Commerce Act, as amended; and Buyer from time to time will deliver and file or record any other instruments required by law or reasonably requested by Seller for the purpose of properly protecting Seller's title to and property in the Locomotives and its rights under this Agreement. Buyer will furnish to Seller promptly good and

sufficient evidences of all filings or recordings and an opinion of Buyer's counsel with respect to the validity and effect thereof.

19. Payment of Expenses. Buyer will pay all expenses, other than counsel fees of Manufacturer, incurred by Manufacturer and by Manufacturer's first assignee incident to the preparation, duplication, execution and filing and recording of this Agreement (and any supplements thereto) and of Manufacturer's first assignment thereof.

20. Notices. Except as otherwise expressly provided in this Agreement, all notices given pursuant to any provision hereof will be deemed delivered when personally delivered or mailed with first class postage prepaid: if to Manufacturer, at LaGrange, Illinois; and if to Buyer, at 425 Brighton Street, Bethlehem, Pennsylvania 18015.

21. Entire Agreement. This Agreement is executed in several counterparts, each of which is deemed an original counterpart. This Agreement, including the Specification, constitutes the entire agreement between the Parties with respect to the sale and purchase of the Locomotives, and it may not be amended, nor will a waiver of any of its terms be deemed valid, unless such amendment or waiver is in writing and duly executed by each Party.

22. Definitions. The term "Seller" whenever used in this Agreement means, before any assignment of its rights hereunder, General Motors Corporation (Electro-Motive Division) and any successor or successors for the time being of its properties and,

after any such assignment both any assignee or assignees for the time being of such particular assigned rights as regards such rights and also any assignor as regards any rights hereunder that are retained and excluded from any assignment; and the term "Manufacturer" whenever used in this Agreement means, both before and after any such assignment, General Motors Corporation (Electro-Motive Division), and any successor or successors for the time being of its properties.

23. Governing Law. This Agreement is a contract made in the Commonwealth of Pennsylvania and will be governed by the laws of that State; provided that, the parties shall be entitled to the benefit of all of the rights conferred by Section 20c of the Interstate Commerce Act.

24. Obligations of Trustees. The obligations of John F. Nash and Robert C. Haldeman, hereinafter in this paragraph referred to as the Railroad Trustees, under and in respect of this Agreement are the obligations of the Railroad Trustees solely as trustees of the property of Lehigh Valley Railroad Company, and not individually, and shall constitute only the obligation of the estate of which the Railroad Trustees are trustees, and neither of them as Trustees shall be bound by any of the terms or conditions hereof after the termination of his or their trusteeship. The trusteeship wherein the Railroad Trustees are trustees shall not be terminated, nor shall the trusteeship estate thereunder be surrendered by the Railroad Trustees, or their successor or successors, unless as a

condition of such termination or surrender, all of the obligations, then existing or to accrue, of Buyer under this Agreement shall be assumed as obligations by Lehigh Valley Railroad Company or any other corporation or any receiver or receivers in equity that shall succeed to the Railroad Trustees in the possession of substantially all of the lines of railroad comprised in the trusteeship estate, whether pursuant to any plan of reorganization under Section 77 of the Bankruptcy Act, as said Section now exists or as it may hereafter be amended, or upon foreclosure or upon dismissal or termination of the trusteeship or otherwise.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the day and year first above written.

(Corporate Seal)

GENERAL MOTORS CORPORATION
(ELECTRO-MOTIVE DIVISION)

ATTEST:

W. A. Henke
Assistant Secretary

By: [Signature]
Vice President

(initials)

JOHN F. NASH and ROBERT C. HALDEMAN
TRUSTEES OF THE PROPERTY OF
LEHIGH VALLEY RAILROAD COMPANY

[Signature]
John F. Nash
Trustee

[Signature]
Robert C. Haldeman
Trustee

EXHIBIT A
CERTIFICATE OF INSPECTION

This is to certify that in my capacity as authorized representative of LEHIGH VALLEY RAILROAD COMPANY, and pursuant to the terms of the Conditional Sale Agreement between GENERAL MOTORS CORPORATION (ELECTRO-MOTIVE DIVISION) and JOHN F. NASH and ROBERT C. HALDEMAN, Trustees of the property of LEHIGH VALLEY RAILROAD COMPANY dated as of July 30, 1971, I have inspected each of the Locomotives described below; that each thereof conforms to the Specification referred to in the Conditional Sale Agreement, to the requirements of the Interstate Commerce Commission and to the standards recommended by the Association of American Railroads; that each therefore is in good order and condition.

Type of Locomotive: GP 38 AC Diesel
 Electric Locomotive

Number of Units:

Road Numbers:

Date of Inspection:

Place of Inspection: McCook, Illinois

Authorized representative of
LEHIGH VALLEY RAILROAD COMPANY
(John F. Nash and Robert C. Haldeman,
Trustees)

EXHIBIT B

CERTIFICATE OF ACCEPTANCE

This is to certify that in my capacity as authorized representative of LEHIGH VALLEY RAILROAD COMPANY, and pursuant to the terms of the Conditional Sale Agreement between GENERAL MOTORS CORPORATION (ELECTRO-MOTIVE DIVISION) and JOHN F. NASH and ROBERT C. HALDEMAN, Trustees of the property of LEHIGH VALLEY RAILROAD COMPANY dated as of July 30, 1971, I have inspected each of the Locomotives described below; that each therefore conforms to the Specification referred to in the Conditional Sale Agreement, to the requirements of the Interstate Commerce Commission and to the standards recommended by the Association of American Railroads, that each therefore is in good order and condition; and that I hereby accept each such Locomotive on behalf of LEHIGH VALLEY RAILROAD COMPANY.

Type of Locomotive: GP 38 AC Diesel Electric Locomotive

Number of Units:

Road Numbers:

Date of Acceptance:

Place of Acceptance:

I do further certify that there was plainly, distinctly, permanently and conspicuously painted on each side of each Locomotive, in letters not less than one inch in height, the following legend:

"FIRST VALLEY BANK, OWNER".

The execution of this Certificate will not relieve GENERAL MOTORS CORPORATION (ELECTRO-MOTIVE DIVISION) from any of its warranty obligations under Section 8 of the Conditional Sale Agreement.

Authorized representative of
LEHIGH VALLEY RAILROAD COMPANY
(John F. Nash and Robert C. Haldeman,
Trustees)

EXHIBIT C

INSTALMENT PAYMENTS PURSUANT TO SECTION 3 (ii)

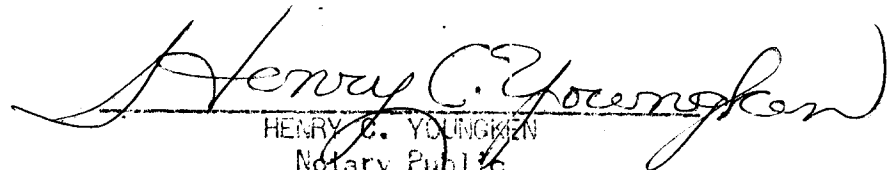
<u>Payment Number</u>	<u>Payment Date</u>	<u>Principal Amount</u>	<u>Accrued Interest</u>
1	March 21, 1972	\$16,875.00	\$14,343.75
2	June 21, 1972	16,875.00	13,985.16
3	Sept. 21, 1972	16,875.00	13,626.56
4	Dec. 21, 1972	16,875.00	13,267.97
5	March 21, 1973	16,875.00	12,909.38
6	June 21, 1973	16,875.00	12,550.78
7	Sept. 21, 1973	16,875.00	12,192.19
8	Dec. 21, 1973	16,875.00	11,833.59
9	March 21, 1974	16,875.00	11,475.00
10	June 21, 1974	16,875.00	11,116.41
11	Sept. 21, 1974	16,875.00	10,757.81
12	Dec. 21, 1974	16,875.00	10,399.22
13	March 21, 1975	16,875.00	10,040.63
14	June 21, 1975	16,875.00	9,682.03
15	Sept. 21, 1975	16,875.00	9,323.44
16	Dec. 21, 1975	16,875.00	8,964.84
17	March 21, 1976	16,875.00	8,606.25
18	June 21, 1976	16,875.00	8,247.66
19	Sept. 21, 1976	16,875.00	7,889.06
20	Dec. 21, 1976	16,875.00	7,530.47
21	March 21, 1977	16,875.00	7,171.88
22	June 21, 1977	16,875.00	6,813.28
23	Sept. 21, 1977	16,875.00	6,454.69
24	Dec. 21, 1977	16,875.00	6,096.09
25	March 21, 1978	16,875.00	5,737.50
26	June 21, 1978	16,875.00	5,378.91
27	Sept. 21, 1978	16,875.00	5,020.31
28	Dec. 21, 1978	16,875.00	4,661.72
29	March 21, 1979	16,875.00	4,303.13
30	June 21, 1979	16,875.00	3,944.53
31	Sept. 21, 1979	16,875.00	3,585.94
32	Dec. 21, 1979	16,875.00	3,227.34
33	March 21, 1980	16,875.00	2,868.75
34	June 21, 1980	16,875.00	2,510.16
35	Sept. 21, 1980	16,875.00	2,151.56
36	Dec. 21, 1980	16,875.00	1,792.97
37	March 21, 1981	16,875.00	1,434.38
38	June 21, 1981	16,875.00	1,075.78
39	Sept. 21, 1981	16,875.00	717.19
40	Dec. 21, 1981	16,875.00	358.59
		<u>\$675,000.00</u>	<u>\$294,046.90</u>

STATE OF PENNSYLVANIA:

ss.:

COUNTY OF NORTHAMPTON:

On this 13th day of December 1971, before me personally appeared JOHN F. NASH and ROBERT C. HALDEMAN, to me known to be the persons described in and who executed the foregoing instrument, and they severally acknowledged that they executed the same as their free act and deed.



HENRY C. YOUNGKEN

Notary Public

Bethlehem, Northampton Co.

My Commission Expires January 8, 1972

STATE OF Illinois

ss.:

COUNTY OF Cook

On this 14 day of December, 1971, before
me personally appeared B. B. BROWNELL
to me personally known, who being by me duly sworn, says
that he is ^a Vice President of GENERAL MOTORS CORPORATION,
that the seal affixed to the foregoing instrument is
the corporate seal of said corporation, that said
instrument was signed and sealed on behalf of said
corporation by authority of its Board of Directors, and
he acknowledged that the execution of the foregoing
instrument was the free act and deed of said corporation.


Notary Public

My Commission Expires October 28, 1975

(Notarial seal
and stamp)

AGREEMENT AND ASSIGNMENT dated as of July 30, 1971
between GENERAL MOTORS CORPORATION (ELECTRO-MOTIVE DIVISION)
a Delaware corporation having its principal place of business
at McCook (Post Office address LaGrange) Illinois, (hereinafter
called the "Manufacturer"), and FIRST VALLEY BANK, a Pennsylvania
corporation, having an office in the City of Bethlehem, State
of Pennsylvania (hereinafter called the "Assignee");

W I T N E S S E T H :

Manufacturer and JOHN F. NASH and ROBERT C. HALDEMAN, Trustees
of the property of LEHIGH VALLEY RAILROAD COMPANY (the said
Trustees being hereinafter called the "Buyer"), have entered
into a Conditional Sale Agreement dated as of July 30, 1971 (here-
inafter called the "Conditional Sale Agreement"), providing for
the sale by Manufacturer to Buyer of four (4) 2000 h.p. GP 38 AC
Diesel Electric Locomotives bearing Buyer's Road Numbers 310 to
313, inclusive (hereinafter called the "Locomotives"), for an
aggregate purchase price of \$909,048 (hereinafter called the
"Total Purchase Price"). Buyer has agreed to make an initial
payment on account of the Total Purchase Price of \$234,048 leaving
a balance of \$675,000 to be paid in instalments as provided in
Section 3(ii) of the Conditional Sale Agreement.

The Parties therefore mutually agree:

1. Manufacturer hereby assigns and transfers to Assignee,
its successors and assigns (i) all of Manufacturer's rights,
title and interest under the Conditional Sale Agreement (except
the right to receive the payment provided for in Section 3(i) of
the Conditional Sale Agreement and the right to receive reimbursement

for any taxes paid by Manufacturer as provided in Section 4 thereof), and (ii) all of Manufacturer's title to and property in the Locomotives; provided that (a) this assignment is made without recourse against Manufacturer on account of Buyer's failure to make any payment on account of the Total Purchase Price or to comply with any other provision of the Conditional Sale Agreement, (b) Assignee shall not be liable hereunder for any obligation of Manufacturer set forth in Sections 1, 2, 8 or 14 of the Conditional Sale Agreement, all of which obligations will remain enforceable solely against Manufacturer, and (c) Buyer shall not be relieved hereby from its obligations to Manufacturer set forth in Sections 3, 13, 14 and 16 of the Conditional Sale Agreement.

In furtherance of the foregoing assignment and transfer, Manufacturer hereby authorizes Assignee to demand, sue for, collect receive and enforce in its own name and for its own account payment of all amounts to which Assignee may become entitled by virtue hereof and compliance by Buyer with all of its obligations under the Conditional Sale Agreement.

2. Manufacturer will manufacture and deliver the Locomotives in accordance with the terms of the Conditional Sale Agreement and free and clear of all liens and encumbrances other than that provided in Section 5 of the Conditional Sale Agreement; and notwithstanding this Assignment, it will perform all of its obligations under the Conditional Sale Agreement. Manufacturer

covenants that it will defend its title to and property in the Locomotives against the demand of every person based on any claim accruing prior to the delivery of the Locomotives to Buyer subject solely to the rights of Buyer therein as provided in the Conditional Sale Agreement.

3. The right of Assignee hereunder to receive payment from Buyer of that part of the Total Purchase Price payable under Section 3(ii) of the Conditional Sale Agreement shall not be subject to any claim of Buyer, whether asserted by way of defense, counterclaim or otherwise, arising out of the alleged breach by Manufacturer of any of its obligations under the Conditional Sale Agreement or out of the alleged default by Manufacturer in the payment or discharge of any other obligation owed by it to Buyer. All such obligations shall remain enforceable solely against Manufacturer. Manufacturer hereby indemnifies and agrees to hold Assignee harmless from all damages, including the cost of defending all claims therefor, awarded against Assignee pursuant to a judgment holding that the use of the locomotives or of any component thereof (other than components specified or furnished by Vendee and not included in Manufacturer's standard new locomotive specification) furnished under the Conditional Sale Agreement infringes any United States patent.

4. Each Locomotive when delivered will have painted plainly, distinctly, conspicuously and permanently on each

side thereof, in letters not less than one inch high, the legend: "FIRST VALLEY BANK, OWNER".

5. At the request of Assignee, Manufacturer will execute any instruments which may be necessary or proper in order to discharge of record the Conditional Sale Agreement or any other instrument executed by Manufacturer evidencing Manufacturer's title to or property in the Locomotives.

6. On the Closing Date as defined in the Conditional Sale Agreement, Assignee will pay to Manufacturer \$675,000 in lawful currency of the United States of America subject solely to delivery by Manufacturer in form and substance satisfactory to Assignee, of the following documents:

(i) - A warranty bill of sale from Manufacturer to Assignee, transferring full title to and property in the Locomotives subject solely to the rights of Buyer therein under the Conditional Sale Agreement;

(ii) A certified copy of the Certificate of Acceptance delivered by Buyer to Manufacturer for each Locomotive pursuant to Section 2 of the Conditional Sale Agreement;

(iii) A duplicate copy of Manufacturer's commercial invoice for each Locomotive;

(iv) An opinion of counsel for Manufacturer dated as of the Closing Date stating (a) that Manufacturer is

a corporation duly organized and existing under the laws of the State of Delaware and has the power to own its properties and to carry on its business as presently conducted, (b) that the Conditional Sale Agreement was duly authorized, executed and delivered by Manufacturer and is a valid instrument binding on and enforceable against Manufacturer in accordance with its terms (subject solely to the limitations of any bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights), (c) that this Agreement and Assignment has been duly authorized, executed and delivered by Manufacturer and is a valid instrument binding on and enforceable against Manufacturer in accordance with its terms (subject solely to the limitations of any bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights), and (d) that as a result of the foregoing, title to and property in the Locomotives is validly vested in Assignee free and clear of all liens and encumbrances except the rights of Buyer under the Conditional Sale Agreement; and

(v) An opinion of counsel for Buyer stating (a) that the Conditional Sale Agreement was duly authorized, executed and delivered by Buyer and is a valid instrument binding on and enforceable against Buyer in accordance with its terms (subject solely to the limitations of any bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights), and (b) that the Conditional

Sale Agreement and this Agreement and Assignment have been duly filed and recorded with the Interstate Commerce Commission in accordance with the requirements of Section 20c of the Interstate Commerce Act and no other filing or recordation is necessary for the protection of Assignee's rights under this Agreement and Assignment in any jurisdiction and no approval of the Interstate Commerce Commission or any other governmental agency is required for the execution and delivery of the Conditional Sale Agreement and the performance by Buyer of its obligations thereunder.

7. Assignee may assign in whole or in part its rights under the Conditional Sale Agreement, including its right to receive any payments due from Buyer thereunder. Any such assignee, to the extent of such assignment, shall enjoy all of the rights and be subject to all of the obligations of Assignee hereunder.

8. Manufacturer

(i) warrants that the Conditional Sale Agreement was duly authorized, executed and delivered for a valid consideration and that it is a valid instrument binding and enforceable against the parties in accordance with its terms (subject solely to the limitations of any bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights) and that it is now in force and has not been amended; and

(ii) agrees that it will make, execute and deliver from time to time at Assignee's request such further instruments of assignment and assurance as may be necessary or appropriate to give effect to the provisions hereof and to confirm the rights, title and property assigned hereby.

9. This Agreement and Assignment is executed in several counterparts, each of which is deemed an original counterpart. Assignee will deliver one of such original counterparts to Buyer.

10. This Agreement and Assignment is a contract made in the Commonwealth of Pennsylvania and will be governed by the laws of that State; provided that, the parties shall be entitled to the benefit of all the rights conferred by Section 20c of the Interstate Commerce Act.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement and Assignment as of the day and year first above written.

(Corporate Seal)

ATTEST:

W. A. Hunk
Assistant Secretary

(Corporate Seal)

Beatrice E. Schlamp
Secretary

GENERAL MOTORS CORPORATION
(ELECTRO-MOTIVE DIVISION)

By: J. D. D. [Signature]
Vice President

FIRST VALLEY BANK

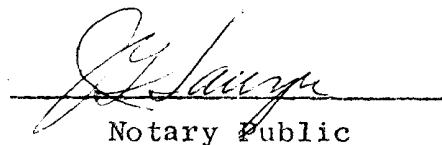
By: [Signature]
Senior Vice President

STATE OF Illinois

SS.:

COUNTY OF Cook

On this 14 day of December, 1971, before
me personally appeared B. B. BROWNELL,
to me personally known, who being by me duly sworn, says
that he is ^aVice President of GENERAL MOTORS CORPORATION,
that the seal affixed to the foregoing instrument is
the corporate seal of said corporation, that said
instrument was signed and sealed on behalf of said
corporation by authority of its Board of Directors, and
he acknowledged that the execution of the foregoing
instrument was the free act and deed of said corporation.


Notary Public

My Commission Expires October 28, 1975

(Notarial seal
and stamp)

STATE OF PENNSYLVANIA :

SS.:

COUNTY OF NORTHAMPTON :

On this 15th day of December, 1971, before me personally appeared WILLIAM H. CHRISTIE, to me personally known, who being by me duly sworn, says that he is Vice President of FIRST VALLEY BANK, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Elaine F. Jacoby

Notary Public

ELAINE F. JACOBY

Notary Public, Bethlehem, Northampton Co.

My Commission Expires April 23, 1973

I hereby certify that I am not a stockholder,
director, officer or employee of First
Valley Bank

(Notarial seal
and stamp)